

PAPER 3: Is a customer just a client with a longer name?

What are the Zakumi Orange Papers?

Zakumi has a long and successful history in the social care sector and produces quarterly opinion papers on topics and issues of relevance to the sector. These are intended to provide insights that may stimulate further conversations or actions. Please feel free to share them with others in the hope they will spark new thinking and discussion.

Over the past twelve months, perhaps, longer, there has been endless talk about customers, marketing, value propositions and the like and the general assumption is that, notwithstanding that everyone is one themselves, somehow those in the social care sector, really don't get the whole notion of a customer. It is true that for years we have referred to people as consumers, clients, residents, service users and the various others, the question that we are often asked is, does it really make a difference?

Answering this is not as simple as it seems. What we do know is that by simply changing the name from client/consumer/service user to customer, will not make you customer-friendly. If you want to be customer friendly, you need to change the way you think, understand and behave towards those people that may wish to utilise the services you provide. For decades the social sector has had a captured market wherein people really did not have a choice; they accepted what you offered or provided, irrespective of how closely it approximated what they wanted. This does not have the same meaning as "what they needed".

A clear distinction has been made between **wants and needs** and they are often the polar opposites (of the same coin!). This has often caused conflicts to arise as professional and care providers are often well placed to make a good judgement about what they believe the person needs. It may contrast to what they want but if it also happens to be what they provide, it simply reinforces the view that they "should have it".

In reality, customers present you with a list of what they want; you consider these and if you can meet them quickly and easily, you do and that is the "sale". If you can't, you try to convince them that they need something different and of course, something you can provide. They now have a choice and thereafter make a decision to purchase or otherwise. This works perfectly well for tangible products and services that don't impact heavily on their lives. Put another way, in your view and in concordance with your value-base, don't impact heavily on their wellbeing. Many of these decisions are made subconsciously by workers in the social care sector all the time, it is just that they are often not contextualised in this way.

It is very likely that what is most challenging to workers in the social care sector at this time is balancing needs and wants. From a business perspective, people prefer to buy something rather than have it sold to them. There is a subtle yet significant difference between the two. When people decide for themselves what they want and go out and get it, they feel like they have bought it. On the other hand, if a person convinces them to purchase something, even if they need it, the customer may feel that it was sold to them. It often makes them feel like the person has seized the power in the relationship. If you want customers to feel good about the relationship and are interested in customer retention, you have to give them what they want.

However, sometimes what a customer wants is not what they need. As a caring human being you may feel it's your responsibility to tell them as much. In that case the best you can do is share the information you think they need to know but allow them to make what they feel is the right decision. Sometimes they will agree with you, change their purchase, and thank you for your help. Other times they may completely disregard what you say and still pursue what they want over what you know they need. This will be a constant challenge as the marketisation of the social care sector takes further hold. One way of dealing with this dilemma is to try and make sure you know both what they want and what they need. The latter is more reflective and by design will take into account your own views, values, knowledge and experience. The former requires you to do things in a different manner to what you have done before, and will present some challenges. If you don't overcome these challenges, you run the risk that you see things only through your own lens and in effect, narrow their choices. This is where some of the other words that we hear bandied around come into their own.

The notion of customer value proposition is commonly used and can be applied to deal with the above. Whilst there is no one definition, in essence is separate cost and value. The sector has for long been fixated on costs and now is being asked to refocus on value – what value will the product or service bring or deliver to the customer? The question of how one determines value also relates to the needs/wants topic... "if I really want it, it is more valuable than if I don't". Also, some things that are harder to value (e.g. peace of mind) than others (equipment) but you should not get confused with who is "doing the valuing" – it isn't you.

A useful way of thinking about customer value propositions is to think of them as being of three types¹. Focus on the benefits of using your service: (i) you can do this by simply listing all the benefits you believe your offer delivers to your customers. The more they can think of, the better. This approach requires the least knowledge about customers and competitors and, thus, the least amount of work to construct. However, its relative simplicity has a major potential drawback, namely **benefit assertion**. It is highly likely that you will claim advantages for things that actually provide no benefit to target customers, or that you will not be able to substantiate them. One such way of integrating this type of value proposition into your business model is to create a Theory of Change or Program Logic where you directly link outcomes and impacts to the activities you undertake. In this way, whilst you claim that using you or a particular program will be beneficial, the program logic should actually describe and measure it.

The second way to consider value propositions is (ii) to explicitly recognise that the customer has an alternative but that your offer/product is the better. You can highlight the differences (points of difference) between what you offer and what they do and "demonstrate that yours is better". However, knowing that an element of an offering is a point of difference relative to the next best alternative does not convey the value of this difference to target customers. Furthermore, a product or service may have several points of difference, complicating the understanding of which ones deliver the greatest value. Without a detailed understanding of the customer's preferences, and what it is worth to fulfil them, you may stress points of difference that deliver relatively little value to the target customer. Each of these can lead to the pitfall of **value presumption**: assuming that favourable points of difference must be valuable for the customer.

¹ James C. Anderson, James A. Narus, Wouter Van Rossum. Customer Value Propositions in Business Markets. HBR, 2006

The other way to view the customer value proposition is through discrimination – people want to use or work with you if you demonstrate that you fully grasp the critical issues in their world and deliver a customer value proposition that's simple yet powerfully captivating. You can do this by providing and making your offer superior on the few elements, but those that matter most to target customers. You will need to "prove" that they will be better off and communicate it in such a way that it conveys a sophisticated (deep and accepted) understanding of the customer's priorities.

This type of proposition differs from other two abovementioned ones in two significant respects. First, more is not better. Although your offer may possess several favourable points of difference, the discriminating focus proposition steadfastly concentrates on the one or two points of difference that deliver, and whose improvement will continue to deliver, the greatest value to target customers. Secondly, it may contain a point of parity. This is important in the social sector when you need to satisfy even basic criteria for people to be interested in using you. For example, the fact that you are accredited or adhere to an external Standard, may be the minimum expectation a person has of your service. In other words, they assign no value to it but if you are not accredited, they would not even consider you. It is also important when you may wish to counter the customer's mistaken perceptions that a particular value element is a point of difference in favour of a competitor's offering. This latter case arises when customers believe that the competitor's offering is superior but you believes its offer is comparable.

What does this all mean.....?

Simply, you need a business model that resonates with customers.

It is also important that organisations in the social sector start to really think about the value they provide and how they both substantiate it and inform customers of it. The former is the most challenging as it is largely a new "science" as it requires you to better understand what the customer defines as value and then how you define what you provide as value. It is essential that from the outset you don't make promises about what you do without being able to substantiate them. Equally so, don't guess that the activities you have done or are doing at the moment, lead to the desired outcomes. You need to quantify these – know that the activities you undertake are value-adding. The word science was used for a reason in that it is a new area, complex and one that requires some discipline. The social sector is being ushered very quickly into a space that is demanding that we change the narrative. There has been no real allowance for the fact that this is a new paradigm and that it requires new thinking, behaviour and application. However, the things that have been discussed for some time now such as customer engagement, measuring impact and focusing on value over cost are activities that can more easily and more quickly be instituted.

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